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Options and Considerations Relative to Strategy for  
Protecting CIA Special Needs for a Supplemental  
Retirement System for New Employees

I. Introduction

1. Current Congressional Efforts to Develop a Government-Wide Supplemental Retirement System

- a. The Senate Governmental Affairs Committee and the House Post Office and Civil Service Committee are now independently researching and developing the general design and substance of future proposals for supplemental retirement plans for new employees.

It is expected that the research phase of Congressional action will continue to the latter months of 1984 with the introduction of legislative proposals in early 1985.

- b. At this time, the thrust and substance of the Senate and House versions of their respective plans have not been surfaced. A series of public hearings are scheduled for the latter part of February 1984 where some early indicators of direction may be made available and provide a basis to evaluate their compatibility with the needs of CIA.

2. Economic and Political Environment in Which the Retirement Issue is Being Considered

- a. Although, as previously stated, little substance is yet available on the design and provisions of the retirement plans which may be proposed, the political and economic environment under which these efforts are being undertaken indicate the following:
  1. Both the Senate and House are disposed to reduce government costs at large and Federal employee benefits, particularly retirement benefits will be under close scrutiny if not seige.
  2. The Administration has not as yet specifically submitted any proposals on the supplemental retirement issue but continue to express convictions that Federal retirement systems are costing the government too much and are currently providing excessive benefit levels for retirees.

The President's budget message for 1985 includes proposals that current retirement system employee contribution rates be increased from 7% to 9% of payroll in 1985 and to 11% in 1986 and the annuity computation formula be changed from high-three average annual salary to a high-five year basis.

3. At some point in late 1984 or early 1985 it can be expected that the Administration and/or Congress will initiate proposals for reforms of the current Federal retirement systems to reduce benefits. These proposals can be expected to be along the lines of the severe actions initiated and dropped in 1983.

3. Features of the Design and Provisions that Might be Expected From Congressional Efforts

a. Costs to Employees

Proposals can be expected that will establish contribution costs for pension benefits (both the supplemental plan and Social Security) to new employees at essentially the same levels as current system employee costs (now 7% probably increased to 9% in 1985). The new supplemental system employee costs may be split between a low yield staff defined benefit plan with a voluntary defined contribution thrift plan, with or without matching government contributions.

b. Levels of Total Future Benefit Pay-Offs

The eventual total pay-off of benefits under both the current systems and the new supplemental system will probably be equal if employees work to age 65 or later.

c. Early Retirement Eligibility and Benefit Levels

It can be expected that proposals will be considered to encourage Federal employees to work until 62 or 65. Early retirement provisions will probably be offered but the replacement income rate at younger ages (55 with 30) will probably be at such a low percentage most eligibles would not be financially able to retire unless they had made substantial contributions to a voluntary thrift plan.

d. Offsets of Staff Retirement Annuities When Social Security Benefits are Payable

Provisions will be made to offset a percentage of the staff retirement plan annuity when Social Security payments begin at age 62 or 65. This will be aimed at precluding dual or excessive benefit entitlements to certain annuitants and to minimize the redistribution factor of Social Security payments to others.

e. Special Provisions for Hazardous Duty, Law Enforcement and Air Traffic Controller Retirement Coverage

The provisions in the current civil service system providing early retirement without penalties and higher annuity levels for special categories of employees can be expected to be extended in some form to new employees.

Separately legislated systems such as Foreign Service Retirement and CIARDS may or may not be addressed but could be influenced by the actions taken by Congress on the civil service system.

II. Consideration of Courses of Action Available to the Agency

1. Seek the Establishment of a Separate CIA Supplemental Retirement Plan for all New Agency Employees

a. The special circumstances of the CIA mission and requirements impacting on our work force would appear to be best served by establishment of an Agency managed supplemental retirement plan covering all employees independent of a government-wide system which might be legislated by the Congress. The provisions of this plan would be proposed along essentially the same patterns as our current CSR and CIARD systems coverage but with some enhancement of both CIARDS and CSRS type benefits.

b. Such a new system will require strong support and sponsorship of special legislation in a Congress actively involved in developing general retirement legislation for the government at large.

c. Since all new Agency employees are initially provided Civil Service retirement coverage for the first five to eight years (i.e. future CIARDS type entrants must be on-board for from five-eight years before eligibility) a sense of urgency may not be displayed by Congress to accommodate operational type employees until later years.

It is our conviction that the establishment of special provisions for future CIARDS employees at the onset provides a strong inducement for recruitment and retention of the types of people needed for operational and operational support requirements.

2. Special Provisions for CIA Civil Service Type in a Government-Wide Retirement System and Amendment of the CIARDS Act of 1964

- a. Should the "most preferred" approach for an independent system be not feasible because of lack of external support or strong opposition, the best alternative will be for special provisions for CIA Civil Service type employees which will retain essentially the same basic provisions for early retirement and retention of employee eligibility and benefit levels provided under the current CSR system. Amendments would also have to be proposed to CIARDS law adding a new supplemental system covering future CIARDS participants or try for an amendment to CIARDS that would provide for full participation by future CIARDS members in the current CIARDS system and dropping Social Security coverage.
- b. Whether special provisions within the as yet unknown government-wide system would meet our requirements is unknown at this time since we can only speculate as to the possible acceptability of the future proposals at large.

3. Acceptance of the Inclusion of CIA new employees Into the Government-Wide Supplemental System

- a. As regards this option we can anticipate that both the Senate and House will press for participation by all Federal agencies in the government-wide system that will be discussed and finally proposed.

The Agency must keep its options open without any early commitment to participate until the form and substance of the proposals are known to be consistent with CIA interests and requirements.

- b. It is possible that as we monitor the efforts of Congress and the provisions of the system take shape, the supplemental system that emerges may be compatible for the Agency, either as presented or with some modifications or amendments protecting Agency needs.

III. Considerations of Strategy on Approaches

1. Development of Understanding and Support for the Agency's Needs As Regards Future Retirement Related Legislation

a. Early Actions

1. It is timely now to initiate "light" action to alert both the administration and the appropriate sub-committees

in Congress of the Agency's concern regarding the retirement issue and to update understanding of the CIA particular needs and solicit support to accommodate Agency interests as work proceeds on development of supplemental retirement system proposals.

2. It may also now be appropriate to explore responsiveness and support possibilities of both the White House and Congressional committees for a separate CIA supplemental retirement system. Based on return from these responses, the Agency will be in a position to focus on whatever on-going efforts are required.

b. Subsequent Actions

1. It is essential that close liaison be maintained with the Senate and House sub-committees actually developing the supplemental system proposals in order to keep currently abreast of developments.
2. It is also essential that on-going support be sustained by the Agency oversight committees whether it relate to supporting separate legislation or the inclusion of special provisions for CIA coverage in a government-wide plan.

2. Internal Actions

a. Development of Data

1. Efforts should continue to design and develop a working draft of the primary provisions of a CIA supplemental retirement plan which will provide various alternatives (fully staffed out as to cost if applicable).

This data can subsequently be used in a composite single plan proposal or separated into selected parts should it be necessary or preferred to seek only specific provisions for part of the work force (i.e. CSRS or future CIARDS types) coverage and/or specific special provisions for all CIA employees.

2. Working papers and data should be modified and expanded as input is received from monitoring the on-going efforts, biases, and direction of Congressional progress on developing the new system.



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